



Office of Inspector General

U.S. Consumer Product Safety Commission

Audit of the Fast Track Recall Program

September 19, 2017

Vision Statement

We are agents of positive change striving for continuous improvements in our agency's management and program operations.

Statement of Principles

We will:

Work with the Commission and the Congress to improve program management;

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews;

Use our investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse;

Be innovative, question existing procedures, and suggest improvements;

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness;

Strive to continually improve the quality and usefulness of our products; and

Work together to address Government-wide issues.



Office of Inspector General
U. S. CONSUMER PRODUCT SAFETY COMMISSION

September 19, 2017

TO: Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Elliot F. Kaye, Commissioner
Joseph Mohorovic, Commissioner
Marietta S. Robinson, Commissioner

FROM: Christopher W. Dentel, Inspector General 

SUBJECT: Audit of CPSC's Fast Track Recall Program

This report contains the results of our audit of the U.S. Consumer Product Safety Commission's (CPSC) Fast Track Recall Program (Fast Track). The purpose of Fast Track is to remove potentially hazardous products from the marketplace as quickly and efficiently as possible. Overall, we found Fast Track is effective in getting unsafe products off the market quickly and efficiently.

This audit was conducted in accordance with Government Auditing Standards.

The objectives of the audit were to assess the effectiveness of Fast Track in meeting its goals for the CPSC, industry, and consumers, as well as assess compliance with relevant laws and regulations.

In our report we make two recommendations which when implemented will improve the Commission's internal control over Fast Track.

We provided management with copies of our findings and recommendations throughout the audit process. We discussed their comments on the report at an exit conference on September 12, 2017, and incorporated their comments into the report as appropriate.

In the next 30 calendar days, in accordance with OMB A-50, the CPSC is required to provide me with management's Corrective Action Plan describing the specific actions they anticipate taking to implement each recommendation.

Thank you for the courtesy and cooperation extended to my staff during the audit.

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Audit of the Fast Track Recall Program

September 2017

Summary

Objectives

The objectives of our audit were to assess the effectiveness of the Fast Track Recall Program (Fast Track) in meeting its goals for the U.S. Consumer Product Safety Commission (CPSC), industry, and consumers, as well as assess compliance with relevant laws and regulations. Specifically, we evaluated whether the CPSC has:

- collected relevant data to determine whether internal controls are adequate and the program is effective.
- verified compliance with relevant laws and regulations.

Background

The CPSC is an independent Federal regulatory agency with a public health and safety mission to protect the public from unreasonable risks of injury and death from consumer products. Fast Track contributes to the agency's mission by helping businesses remove potentially hazardous products from the marketplace as quickly and efficiently as possible.

To participate in Fast Track, a business must be prepared to implement a corrective action plan, including a consumer-level recall, within 20 working days of a Case Creation by the CPSC and immediately stop the sale and distribution of the product.

In Fast Track, the CPSC eliminates the preliminary determination of hazard and expedites the product safety assessment. This saves both time and money for the CPSC and for industry and benefits consumers by the rapid removal of hazardous products.

This report addresses:

CPSC Strategic Goal #3:

Respond quickly to address hazardous consumer products both in the marketplace and with consumers

OIG Management Challenge #2:

Adequacy of internal controls

Findings

Overall, we found Fast Track is effective in getting unsafe products off the market as quickly and efficiently as possible. In many cases, a firm has already stopped the sale of a defective product prior to filing a case with the CPSC. Companies which use the program agreed that the program is effective in getting unsafe products off the market quickly and efficiently, and that the CPSC staff was knowledgeable and helpful. While internal controls for Fast Track demonstrated a high rate of compliance, opportunities exist for improvements regarding the collection and use of quality information. We found that Fast Track appears to be in compliance with all applicable laws and regulations.

We found that when monitoring and reporting performance measures, not all of the Fast Track case and cost data was being captured. Internal control standards require that organizations use quality information to measure program performance related to program objectives. Current CPSC Fast Track methodology is unreliable. Further, there was no data to support program costs.

Recommendations

We recommend that CPSC management develop and use a reliable methodology to calculate and report the percentage of Fast Track cases meeting the agency's performance metrics and ensure that all cases are included. We also recommend management develop and implement a methodology to ensure all relevant Fast Track cost data is captured and is available to management for monitoring and planning purposes.

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Abbreviations

CPSC	U.S. Consumer Product Safety Commission
EXC	Office of Compliance and Field Investigations
Fast Track	Fast Track Recall Program
FY	Fiscal Year
OIG	Office of Inspector General

Objectives

The objectives of our audit were to assess the effectiveness of the Fast Track Recall Program (Fast Track) in meeting its goals for the U.S. Consumer Product Safety Commission (CPSC), industry, and consumers, as well as assess compliance with relevant laws and regulations. Specifically, we evaluated whether the CPSC has:

- collected relevant data to determine whether internal controls are adequate and the program is effective; and
- verified compliance with relevant laws and regulations.

Background

The CPSC is an independent Federal regulatory agency with a public health and safety mission to protect the public from unreasonable risks of injury and death from consumer products. According to the CPSC's Strategic Plan 2016-2020, the agency fulfills its mission by:

- Cultivating the most effective consumer product safety workforce;
- Preventing hazardous products from reaching consumers;
- Responding quickly to address hazardous consumer products both in the marketplace and with consumers; and
- Communicating useful information quickly and effectively to better inform decisions.

The CPSC's Office of Compliance and Field Investigations (EXC) works with businesses to recall hazardous products. EXC has two divisions: Defect Investigations and Regulatory Enforcement. Defect Investigations consists of teams dedicated to Fast Track; Children's Hazards; and Fire, Electrical, and Mechanical Hazards. All products investigated by Defect Investigations are theoretically eligible for Fast Track. Regulatory Enforcement reviews all cases involving a regulatory violation related to a regulated product. The teams in Regulatory Enforcement are Mechanical, Chemical, Flammability, Children's, and Durable Nursery Products. A case involving a regulated product with a non-regulatory violation may be transferred to Defects Investigations.

Fast Track contributes to the agency's mission by helping businesses remove potentially hazardous products from the marketplace as quickly and efficiently as possible. Fast Track was introduced in August 1995 as a pilot program which became permanent in March 1997. During the pilot program, according to published reports,

industry responded positively to the Fast Track concept. One-third of all recall cases processed during the pilot period utilized Fast Track. These Fast Track cases took, on average, 14 working days to initiate corrective action. Fast Track received the Innovations in American Government Award in 1998.

To participate in Fast Track, a business must be prepared to implement a corrective action plan, including a consumer-level recall (refund, repair, or replacement), within 20 working days of submitting an initial report to the CPSC. The business must also immediately stop the sale and distribution of the product. According to the CPSC, benefits to businesses participating in Fast Track include:

- CPSC staff will not make a preliminary determination of hazard. (Some businesses are concerned about potential product liability and other private lawsuits resulting from a preliminary determination.)
- Recalls are completed faster. This potentially decreases harm to consumers and may therefore reduce the occurrence of product liability claims or other lawsuits.
- Businesses are assigned a single point of contact at the CPSC to guide them through the recall process. EXC staff provides significant amounts of assistance to first-time participants in the Fast Track program during the recall process.

The biggest process differences between Fast Track and routine recalls are an expedited product safety assessment and elimination of the preliminary determination of hazard. Product safety assessments for Fast Track are completed in a maximum of seven working days versus the 40 working days CPSC policy allows for routine cases. A preliminary determination can take as long as six months according to the CPSC's Section 15 Defect Investigations Manual.

If a firm takes longer than 20 days to submit a corrective action plan, the CPSC may determine the firm is no longer eligible to participate in Fast Track. Each year, cases are transferred to and from Fast Track for various reasons. For example, a case may be removed from Fast Track due to a company's lack of response to requests for additional information from the CPSC. Additionally, a case may be transferred into Fast Track for a defect in a regulated product that is not a regulatory violation.

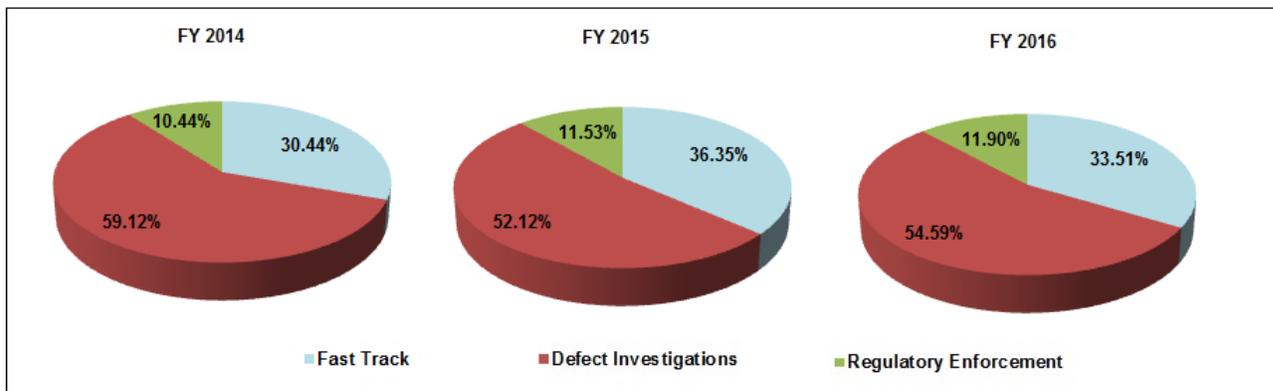
Table 1. Transfer of Cases

Cases	2014	2015	2016
Converted from Fast Track	6	11	4
Converted to Fast Track	8	20	23

Source: OIG Analysis of FYs 2014-2016 CPSC case data

While the number of recall cases has grown since the pilot program, the proportion of Fast Track cases to the total number of recall cases has remained consistent with the 33 percent reported during the pilot program.

Figure 1. Proportions of Recall Cases



Source: OIG Analysis of FYs 2014-2016 CPSC case data

A team dedicated to Fast Track recall cases was formed in 2008 as part of an agency reorganization. This reorganization was to ensure agency resources were properly allocated to comply with the Consumer Product Safety Improvement Act of 2008. Six to eight full-time employees staff the Fast Track team. All new EXC employees are first assigned to the Fast Track team which also functions as EXC’s training program. There is a checklist of mastery that each trainee must complete before progressing to other areas. Items on the checklist include reviewing the full report, negotiating a corrective action plan with the firm, and generating, composing, and customizing documents to meet the needs of the recall.

The CPSC has a system to track employee time and attendance. In addition to tracking the total number of hours an employee works each pay period, time codes keyed to specific activities or projects track how many hours each employee works on any given activity or project. However, there is no time code specific to Fast Track activities.

During this audit, we surveyed select companies who have utilized Fast Track over the last three fiscal years. Overwhelmingly, these companies agreed that the program is

effective in getting unsafe products off the market promptly. Furthermore, they found that the CPSC staff was knowledgeable and helpful throughout the process. We also surveyed industry and consumer advocacy groups. These groups stated that they are aware of the program, subscribe to product safety email notices, monitor the CPSC website, and post notices on relevant recalls on their blogs and social media. However, they are not directly involved in any recalls.

Overall, we found Fast Track is effective in getting unsafe products off the market quickly and efficiently. We also found no instances of non-compliance with applicable laws and regulations. In many cases, a firm had already stopped the sale of a defective product prior to notifying the CPSC. Companies which use the program agreed that the program is effective in getting unsafe products off the market and the CPSC staff was knowledgeable and helpful. However, we found that with regards to performance measures, not all of the Fast Track case and cost data were being captured.

Finding

Data to Measure Fast Track Effectiveness is Incomplete

We found that not all of the relevant case and cost data needed to adequately monitor Fast Track performance was being captured. Internal control standards require that organizations use quality information to measure program performance related to achieving program objectives and to report results both internally and externally. The current CPSC methodology used to measure program compliance is unreliable. Further, there was no data to support program costs. This lack of information means the agency does not have all the available information necessary to effectively manage Fast Track.

The CPSC stated that the goals of Fast Track are to initiate corrective action within 20 working days of the case creation date and to use staff resources more efficiently. The methodology to compute corrective actions completed within 20 working days is explained in the Annual Performance Report. Specifically, this is calculated by:

The number of Fast Track cases opened during the fiscal year (FY) for which the firm initiated a Correction Action Plan within 20 business days of the case opening, divided by the number of Fast-Track cases opened within the fiscal year. A case opening is when a case is entered into the Dynamic Case Management system, which then generates a Case Creation date. Stop Sale date is the date when notice was given to stop sale/distribution of affected products.

In practice, the CPSC compiles case data for any given fiscal year by including cases with a Stop Sale date for the defective product within that fiscal year. However, there are problems with this methodology:

- Approximately 80 percent of all cases have a Stop Sale date¹ in advance of the Case Creation date; and
- Approximately 10 percent of the cases have a Stop Sale date in a different fiscal year than the Case Creation date.

In our review of the FY 2016 data we noted the following:

Table 2. Comparison of CPSC and OIG FY 2016 Data

Case Creation*	Stop Sale*	Case Number*	Included in Performance Measure CPSC for FY 2016	Included in Performance Measure OIG for FY 2016	Difference
2015	2016	2015	1	0	-1
2016	2011	2016	0	2	2
2016	2013	2016	0	2	2
2016	2014	2016	0	2	2
2016	2015	2015	0	1	1
2016	2015	2016	0	17	17
2016	2016	2016	228	231	3
2016	2016	2016	1**	0	-1
2016	-	2016	0	4	4
2017	2016	2017	1	0	-1
Total			231	259	28

Source: OIG analysis of FYs 2014-2016 CPSC case data

* Fiscal Year date

** Duplicate case

The CPSC acknowledged data limitations in their annual performance report by stating, "...results may differ slightly due to updates, edits, or corrections to case data that may occur after the fiscal year end run of data has been completed and results reported."² The CPSC believed that capturing the data by Stop Sale date would yield the most complete data set.

¹ For the purposes of calculating the CPSC performance measure, all cases with a Stop Sale date before the Case Creation date are assigned the value of 0 days Case Creation to Stop Sale.

² FY 2016 data used by the CPSC was extracted on October 13, 2016. FY 2016 data used by OIG was extracted May 9, 2017.

To confirm the accuracy of the data, the OIG re-performed the calculation using the same methodology as the CPSC. While the OIG was able to recreate the same results using the data provided by the CPSC, the OIG obtained different results with data the OIG extracted. The OIG performed the analysis using a population of all Case Creations during each fiscal year. The results were not substantially different and in no year did the CPSC fail to meet its goal. All cases created within each fiscal year were included in the OIG analysis.

Table 3. Performance Data Comparison CPSC to OIG Methodology

	FY 14	FY 15	FY 16
CPSC cases counted	183	213	231
OIG cases counted	207	249	259
Difference	24	36	28
CPSC reported performance	99.45%	96.71%	99.13%
OIG calculated performance	95.65%	95.58%	96.91%
Difference	-3.80%	-1.13%	-2.22%
CPSC Performance Goal	90.00%	90.00%	90.00%
Goal met using CPSC data?	Yes	Yes	Yes
Goal met using OIG data?	Yes	Yes	Yes

Source: OIG analysis of FYs 2014-2016 CPSC case data

While the difference between the two methodologies is small, there is a difference and the CPSC is basing its planning and monitoring on inaccurate and incomplete data. The CPSC is using an unnecessarily complex methodology which doesn't capture all cases. Further, the CPSC has not made it a priority to develop a methodology that is consistent in capturing and tracking all Fast Track cases.

We also found that the agency does not capture the relevant work hour and cost data necessary to monitor the efficiency of staff efforts on Fast Track. To measure efficient use of staff resources, the OIG attempted to rely on staff costs as recorded in the agency's time and attendance system. While the CPSC has a system to track employees' time and attendance, it does not collect any work hour or cost data specific to the Fast Track program. Therefore, the OIG was unable to form an opinion on the effectiveness and efficiency of CPSC staff resources dedicated to Fast Track.

Collection and analysis of high quality data are essential to successful achievement of the CPSC's strategic goals and fulfillment of the agency's mission. Therefore, it is important that the data used in performance reporting is complete and accurate. Not capturing all of the relevant data may lead to inaccurate performance reporting.

Finally, the CPSC stated in its FY 2018 budget submission it would work towards improving the effectiveness of the recall process by evaluating the quality of its recall data to determine whether the agency can make recommendations to increase recall effectiveness.

Recommendations

We recommend CPSC management:

1. Develop and use a reliable, easy-to-use methodology to calculate and report the percentage of Fast Track cases meeting the agency's performance metrics and ensure that all cases are included.
2. Develop and implement a methodology to ensure all relevant Fast Track cost data is being captured and is available to management for monitoring and planning purposes.

Appendix A: Scope and Methodology

Scope

The scope of this audit is Fast Track cases created during FY 2016. Fieldwork for this audit was performed from March 2017 to July 2017 at CPSC headquarters in Bethesda, Maryland. Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or abuse in the program under review.

Methodology

To accomplish the objectives of this audit, we reviewed and gained an understanding of the following:

- Federal Register announcement of the original pilot program, August 17, 1995;
- Federal Register announcement of pilot program results, July 24, 1997;
- Government Accountability Office, *Standards of Internal Control in the Federal Government*;
- CPSC Fast Track guidance on the web;
- Performance Report metrics;
- Select cases and relevant laws and regulations related to the products involved in those cases; and
- Other program guidance.

We interviewed EXC personnel to obtain an understanding of the program and the recall process as well as compliance with program laws and regulations. We surveyed industry and consumer advocacy groups as well as companies who used the Fast Track program in the last two fiscal years to gain their perspectives on the effectiveness of the program.

To confirm whether Fast Track data is reported accurately, we obtained and reviewed data from the CPSC's Dynamic Case Management system for FYs 2014 through 2016. We analyzed three years of data to determine whether there were any trends in the data. We re-performed the calculations used by the CPSC to obtain the performance measurement reported publicly by the agency in their annual performance report. We reviewed the results of our analysis with personnel from the Office of Compliance.

We attempted to determine the staffing costs of the Fast Track program to evaluate efficiency. We were unable to identify staff and other costs directly attributable to Fast Track.

We conducted this performance audit in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Internal Controls

The Government Accountability Office, *Standards of Internal Control in the Federal Government*, is the primary criteria used for internal control testing purposes. These are the standards Federal agencies must follow to maintain effective internal controls for both financial and non-financial programs. Internal control is a process used by management to help a program achieve its goals. There are five internal control components and 17 principles.

Table 4. Results of Internal Control Review

	Internal Control Components and Principles	Met	Partially Met	Not Met
<i>Control Environment</i>				
1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	X		
2	The oversight body should oversee the entity's internal control system.	X		
3	Management should establish an organizational structure, assign responsibilities, and delegate authority to achieve the entity's objectives.	X		
4	Management should demonstrate a commitment to recruit, develop and retain competent individuals.	X		
5	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	X		
<i>Risk Assessment</i>				
6	Management should define objectives clearly to enable the identification of risks and define risk tolerances.	X		
7	Management should identify, analyze and respond to risks related to achieving the defined objectives.	X		
8	Management should consider the potential for fraud when identifying, analyzing and responding to risks.	X		
9	Management should identify, analyze and respond to significant changes that could impact the internal control system.	X		
<i>Control Activities</i>				
10	Management should design control activities to achieve objectives and respond to risks.	X		
11	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.		X	
12	Management should implement control activities through policies.	X		
<i>Information and Communication</i>				
13	Management should use quality information to achieve the entity's objectives.		X	
14	Management should internally communicate the necessary quality information to achieve the entity's objectives.	X		
15	Management should externally communicate the necessary quality information to achieve the entity's objectives.	X		
<i>Monitoring</i>				
16	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	X		
17	Management should remediate identified internal control deficiencies on a timely basis.	X		
Totals		15	2	

Source: CPSC OIG analysis based on interviews and document reviews.

Appendix C: Management Response

We provided management with copies of our findings and recommendations throughout the audit process. The OIG presented management with the Notice of Findings and Recommendations on August 17, 2017. Management stated their agreement with each of these in their response on August 25, 2017. We discussed their comments on the report at an exit conference on September 12, 2017, and incorporated their comments into the report as appropriate.

Finding 1: Data to Measure Fast Track Effectiveness is Incomplete

Management response

Management concurs with the recommendations.

To ensure the Office of Compliance (EXC) captures all cases going forward, instead of the "stop sale date" or the "case open date," EXC intends to identify the annual Fast Track case population using the "accepted corrective action plan (CAP) date." By the time of the "accepted CAP date," the stop sale status will be known in all cases, and thus all cases can be calculated for the reporting fiscal year. From the population of cases with an accepted CAP in the fiscal year, we will determine how many met the goal of initiating an acceptable CAP within 20 business days. This data set will allow EXC to pull more reliable and repeatable data for our goal and ensure that every case gets counted toward the goal.

EXC has requested a new accounting code be added to our time and attendance system for Fast Track cases to collect any work hours or cost data. The plan is for this recommendation to be effective in Fiscal Year 2018.

CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving CPSC's programs and operations, please contact the CPSC Office of Inspector General.



Call:

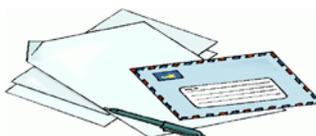
Inspector General's HOTLINE: 301-504-7906

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Or **Write:**

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